

Message Text

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70

ACTION L-02

INFO OCT-01 ARA-06 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00

SSO-00 USIE-00 INRE-00 SP-02 AID-05 EB-04 NSC-05

RSC-01 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01

COME-00 FRB-01 INR-05 XMB-02 OPIC-06 LAB-01 SIL-01

H-01 PA-01 PRS-01 DRC-01 /065 W

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC IMMEDIATE 8539

C O N F I D E N T I A L BUENOS AIRES 7747

E.O. 11652: GDS

TAGS: ETEL, EINV, AR

SUBJECT: ITT/STANDARD ELECTRIC

REF: A. STATE 227541, B. BA 7693, C. BA 7688, D. BA 7616

1. MRS PERON'S ANNOUNCEMENT YESTERDAY OF "ARGENTINIZATION" OF STANDARD ELECTRIC AND SIEMENS (REF B), COMING ON TOP OF GELBARD'S PREVIOUSLY EXPRESSED RELUCTANCE (REF D) TO BECOME DIRECTLY INVOLVED IN DISCUSSIONS RE STANDARD, HAS PUT A DIFFERENT ASPECT ON ITT PROBLEM. PRESIDENT'S ANNOUNCEMENT CLEARLY INDICATES THAT GOA HAS MADE DECISION ON STANDARD AND THAT MEASURES TO CARRY OUT DECISION RECEIVING HIGH LEVEL CONSIDERATION WITHIN GOA. ALSO, WE HAVE BEEN TOLD BY STANDARD'S MANAGING DIRECTOR HERE THAT JOHN GUILFOYLE WILL NOT BE COMING TO BUENOS AIRES AS ORIGINALLY PLANNED. WE NOW BELIEVE, THEREFORE, THAT CONTACT WITH GELBARD AT THIS TIME TO ASK HIM RECEIVE ITT OFFICIALS WOULD NOT HAVE MUCH POINT, AND SHOULD AT LEAST BE POSTPONED UNTIL GOA INTENTIONS WITH RESPECT TO STANDARD ARE CLARIFIED. PLEASE INSTRUCT IF DEPARTMENT HAS OTHER VIEWS.

2. STANDARD MANAGING DIRECTOR RICARDO GABRIELLONI UNCERTAIN
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AS TO FULL MEANING OF PRESIDENT'S ANNOUNCEMENT. MAJOR QUESTION

IS WHETHER GOA STILL SEEKING ONLY 51 PERCENT INTEREST OR WILL ACCEPT ITT'S OFFER OF OCT 15 TO COMPLETELY TURN OVER STANDARD TO GOA WITH GOA ASSUMING STANDARD'S DEBTS. ITT'S LATEST OFFER, IN LETTER DATED OCT 15 AND DELIVERED TO GOA AFTERNOON OF OCT 16, APPEARS IDENTICAL TO THAT OF OCT 1 (PARA 4 OF REF D) EXCEPT THAT REFERENCE TO COMPENSATION AT BOOK VALUE OMITTED, AND NEW OFFER VALID THROUGH NOON OCT 18.

3. ACCORDING TO GABRIELLONI, STANDARD'S CURRENT DEBTS AMOUNT TO ALMOST 1 BILLION PESOS (US\$ 100 MILLION AT OFFICIAL EXCHANGE RATE). APPROXIMATELY US\$ 60 MILLION OF THIS ARE DEBTS TO US BANKS, MOST OF WHICH ARE GUARANTEED IN SOME WAY BY ITT. REMAINDER OF LIABILITIES OWED TO LOCAL BANKS AND SUPPLIERS. APPARENTLY, NO DIRECT LOANS BY ITT TO STANDARD ARE INVOLVED. ITT'S MAJOR CONCERN AT THIS POINT APPEARS TO BE TO ENSURE ASSUMPTION BY GOA OF COMPLETE RESPONSIBILITY FOR REPAYMENT OF STANDARD'S OUTSTANDING FOREIGN DEBTS. THEY CONCERNED THAT IF GOA'S RESPONSIBILITY IS NOT CLEARCUT, AS COULD BE THE CASE WITH ONLY 51 PERCENT TAKEOVER, ITT COULD BE HELD LIABLE FOR PART OR ALL OF THESE DEBTS.

4. GABRIELLONI SAID HE WOULD BE CALLING SECRETARY OF COMMUNICATIONS OTERO THIS MORNING (OCT 18) AND WOULD SEE OTERO MONDAY OCT 21 IN MEETING ARRANGED BY AMBASSADOR ORFILIA, WHEN HE WOULD BE REPRESENTING GUILFOYLE. HE INDICATED REPORTED APPOINTMENT WITH D'ADAMO WAS NEVER DEFINITE, AND THAT D'ADAMO IS NOT DIRECTLY INVOLVED IN STANDARD'S PROBLEM.

5. EMBASSY WILL CONTINUE TO REPORT ON DISCUSSIONS AS INFORMATION BECOMES AVAILABLE.
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